



LIBRARY OF VIRGINIA

REPORT ON AUDIT

FOR THE PERIOD

JULY 1, 2012 THROUGH JANUARY 31, 2016

Auditor of Public Accounts

Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

Our audit of the Library of Virginia for the period July 1, 2012, through January 31, 2016, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- certain matters involving internal control and its operation necessary to bring to management's attention; and
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1-3
AGENCY HIGHLIGHTS	4
INDEPENDENT AUDITOR’S REPORT	5-6
AGENCY RESPONSE	7
AGENCY OFFICIALS	8

AUDIT FINDINGS AND RECOMMENDATIONS

Improve General System Security Controls

The Library of Virginia (Library) is not properly performing and documenting the agency's Risk Assessments, Business Impact Analysis, and Disaster Recovery Plan in accordance with the Commonwealth's Information Security Standard, SEC501-09 (Security Standard). Based on review of these documents we found the following instances of non-compliance:

- The Library's Business Impact Analysis links information technology (IT) Resources and systems to the Primary Business Functions of the agency, but does not explicitly identify and include Mission Essential Functions in the analysis.
- Risk Assessments are not performed timely, and the agency does not perform an annual self-assessment of the Risk Assessment to determine continued validity. There is also no process in place to create an annual report that identifies vulnerabilities discovered, major findings, and risk mitigation recommendations as a result of the Risk Assessments.
- The IT Disaster Recovery Plan does not identify the Recovery Point Objectives for IT systems that are necessary to recover agency business functions.

Section 3.2 of the Security Standard requires the Business Impact Analysis identify the IT Resources that support each Mission Essential Function and Primary Business Functions. The inclusion of this information is essential because the IT information documented in the Business Impact Analysis should serve as the primary input to IT systems and Data Sensitivity Classification, the Risk Assessment, Contingency Plan, and System Security Plan. By not properly identifying the relationship between specific Mission Essential Functions and IT Resources in the Business Impact Analysis and Disaster Recovery Plan, the Library is at increased risk of being unprepared in the event that the Continuity Plan and related Disaster Recovery Plan need to be utilized.

The Security Standard, Section 6.2, states that Risk Assessments should be performed at a minimum once every three years, and that annually the agency should have a process in place to conduct a self-assessment to determine the continued validity of the Risk Assessment. The agency should prepare an annual report to be submitted to the Information Security Officer based on the results of aforementioned self-assessment. In the report, the agency should include an identification of all vulnerabilities discovered during the assessment, and an executive summary including major findings and risk mitigation recommendations. By not performing risk assessments timely the agency may overlook potential threats and vulnerabilities that could harm the agency. Performing an annual self-assessment and preparing an annual report provides further assurance that risks have been identified and communicated to management.

Lastly, Section 8.6 of the Security Standard states that the IT Disaster Recovery Plan must identify each IT system that is necessary to recover agency business functions or dependent business

functions and the Recovery Point Objective for each. The Recovery Point Objective defines how much data is acceptable to be lost in a disaster; therefore, it is a critical component of disaster recovery planning.

In prior years, the agency used a custom template for the Business Impact Analysis/Continuity Plan and a separate document for the Disaster Recovery Plan. In 2014, the Library began using the Virginia Department of Emergency Management's template which combined both documents into a single template. Merging the two plans into one has presented challenges for the Library. As the latest plan (April 2016) is only a few years past the merger, the Library is still working on incorporating all requirements. Furthermore, the Library does not currently have a dedicated Information Security Officer.

The Library should direct resources to revise their IT related plans and Risk Assessments to ensure they comply with the Security Standard. As the Library is in the process of hiring an Information Security Officer, the Library should ensure the new Information Security Officer is aware of issues that must be corrected.

Improve Controls over System Access

The Library is not performing adequate system access reviews for the following state systems: Commonwealth Integrated Payroll/Personnel System (CIPPS), Electronic Procurement System (eVA) and the Commonwealth Accounting and Reporting System (CARS). The Library is also not reviewing dormant accounts to determine if access is appropriate and is not removing access for terminated employees from systems in a timely manner. The Human Resources Department and persons responsible for system access were not coordinating when an employee terminated to remove access. The Human Resource Department has a checklist to follow when individuals terminate; however, PMIS is the only system that is included on the checklist.

During our review, we noted the following:

Systems Access – Least Privilege

- Of the eight CARS users, three have remained inactive from July 1, 2012, through January 31, 2016 (audit period).
- Of the current 19 users in eVA, three have not logged in between 125 days and seven years.

Promptly Remove System Access

- Of the five employees with CARS Access who terminated employment during the audit period, four were deactivated untimely by 26 to 82 days.
- Out of the three employees with CIPPS Access who terminated employment during the audit period, two were deactivated untimely by 63 to 173 days.

The Security Standard, Section 8.1, states that the agency should review privileges assigned to all users on an annual basis in order to validate the need for such privileges. The agency should reassign or remove privileges if necessary, in order to correctly reflect organization mission/business need. The Security Standard, Section 8.13, states that the agency should disable information system access within 24-hours of employment termination.

Inappropriate or unnecessary access to the Library's systems reduces management's ability, in the normal course of performing their assigned functions, to prevent or detect errors on a timely basis. Likewise, timely submission of requests to delete access for terminated employees is imperative to safeguard the assets of the Commonwealth.

Management should perform periodic reviews over systems' access to ensure that user access remains appropriate to include evaluating dormant accounts, and removing access no longer needed. Management should also coordinate with the Human Resources Department to ensure they deactivate employee access for all systems promptly upon termination.

Improve the *myVRS* Navigator Reconciliation Process

The Library is not adequately documenting reconciliations between the Personnel Management Information System (PMIS), and the Virginia Retirement System (VRS) *myVRS* Navigator system, which contains essential retirement data for state employees. Management has not created policies or procedures to ensure reconciliations, changes, and adjustments in *myVRS* Navigator are performed accurately and supporting documentation is retained.

The Department of Accounts, in Payroll Bulletin 2014-05, requires agencies to identify and correct errors prior to certifying payroll information in *myVRS* Navigator on a monthly basis. In addition, the Commonwealth Accounting Policies and Procedures Manual Topic 50410, and the VRS Employer Manual over Contribution Confirmation and Payment Scheduling, also require each agency to perform monthly reconciliations.

Without sufficient reconciliation documentation, there is no evidence indicating the Library properly reviewed and processed all rejected transactions or potential discrepancies and no way to know if employees' retirement information in *myVRS* Navigator is accurate. Due to changes in the accounting and reporting standards over pensions, accurate management of compensation and contribution data at the employee level is critical to the Commonwealth's financial statements.

The Library's Human Resources Department should ensure PMIS data and *myVRS* Navigator properly reconcile and retain sufficient documentation to demonstrate the identification and correction of reconciling discrepancies. The Human Resource Department should also develop policies and procedures to ensure compliance with *myVRS* Navigator reconciliation requirements. The Library's management should also ensure that current policies and procedures are in place over all other major business areas, in order to establish clear guidelines and compliance with State policy.

AGENCY HIGHLIGHTS

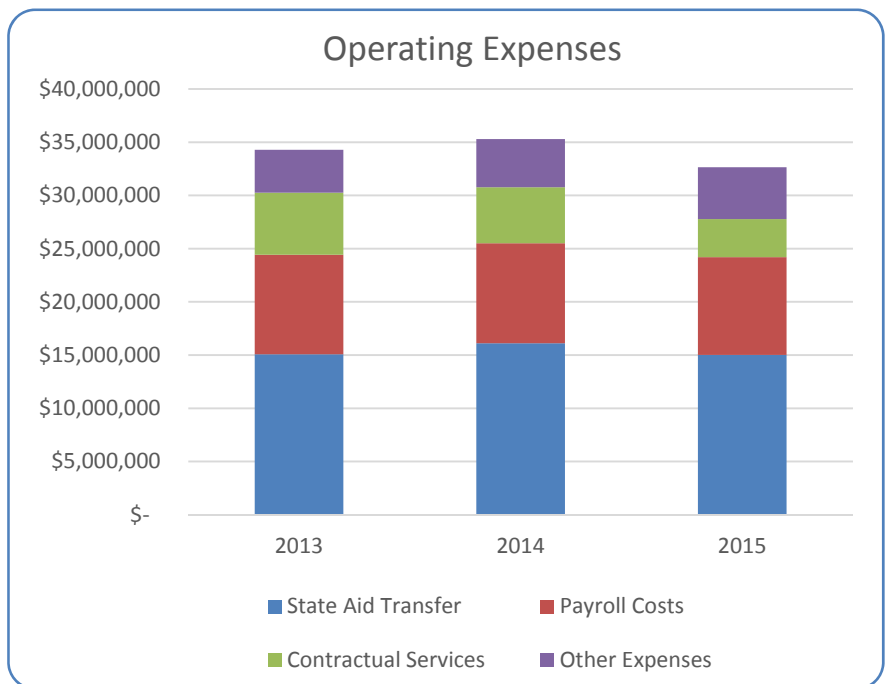
The Library of Virginia provides reference and research assistance to other state agencies, members of the General Assembly, public libraries, and the general public, and houses the archival records of the Commonwealth of Virginia. The Library provides assistance to state agencies and public libraries to maintain libraries, collections and educational services, preserve publications, and update record management. The Library is also responsible for receiving and distributing state aid to localities based on requirements set forth in the Code of Virginia.

In addition to the main campus in downtown Richmond, the Library also operates the State Records Center, which houses the archives annex, reading room, media vault, and Imaging Services Department. The State Records Center maintains inactive and permanent records, as well as microfilm copies of state and local government records.

Financial Information

The Library's primary funding source is General Fund appropriations, making up approximately 70 percent of their total funding. The remaining funding comes from the storage fees charged to agencies and courts for documents and records, from local circuit court records' preservation fees, and federal funds. The Library receives federal funds primarily from the Grant to States Program, which is used to facilitate access to resources, and to encourage resource sharing among all types of libraries.

The majority of the Library's expenses represent transfer payments to local governments for state library aid. Other significant expenses include payroll costs and contractual services. Contractual services consist of payments to the Virginia Information Technologies Agency for computer equipment and services, charges for research and reference services, records management, and building maintenance.





Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 11, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Library of Virginia** for the period of July 1, 2012 through January 31, 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Library's internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

The Library's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

State Aid transfers
Payroll expenses
Small purchase charge cards
Information system security
Payroll expenses
Vendor payments
Appropriations

We performed audit tests to determine whether the Library's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Library's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Library properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting. The Library records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

Exit Conference and Report Distribution

We discussed this report with management on June 9, 2016. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JDE/alh



JUN 10 2016 PM 12:56

COMMONWEALTH of VIRGINIA

THE LIBRARY of VIRGINIA

serving the archival and research needs of Virginians since 1823

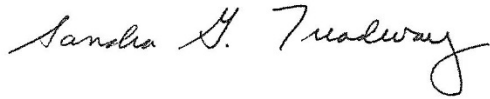
SANDRA GIOA TREADWAY
Librarian of Virginia

(804) 692-3500
V/TYY (804) 692-3976

June 9, 2016

MEMORANDUM

TO: Jennifer Eggleston
Auditor of Public Accounts

FROM: Sandra G. Treadway 
Librarian of Virginia

SUBJECT: Response to the Library of Virginia Audit Report

The Library of Virginia acknowledges receipt of the audit report for the period July 1, 2012 through January 31, 2016.

AGENCY OFFICIALS

Sandra Treadway
Librarian of Virginia

Connie Warne
Deputy of Administration

Marica Monroe
Financial Manager

The Library Board

Robert Chambliss Light, Jr.
Chair

The Hon. Jon Bowerbank
K. Johnson Bowles
Kristin Cabral
Mark Emblidge
Mohammed Esslami
Patricia Thomas Evans
Carol Hampton

Barbara Vines Little
The Hon. Su Yong Min
Christopher G. Oprison
Emily O'Quinn
Marcy Sims
M. David Skiles
Carole M. Weinstein